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Department of State
XRP 6

TELEGRAM

SECRET 681

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46 53
ACTION AF-05

INFO OCT-01 SS-20 NSC-10 NSCE-00 INR-06 CIAE-00 NSAE-00

E-02 L-02 EUR-12 RSR-01 RSC-01 /060 W

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R 221520Z MAY 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 6314
INFO AMEMBASSY BENGHAZI
AMEMBASSY BONN
AMEMBASSY LONDON

SECRET TRIPOLI 1090

LIMDIS

SUBJ: POSTED PRICE NEGOTIATIONS

REF: TRIPOLI 1055

DEPARTMENT OF STATE A/CDC/MR	
REVIEWED BY <u>CJ</u>	DATE <u>8/7/01</u>
RDS ☐ or XDS ☐ EXT. DATE _____	
TS AUTH. _____ REASON(S) _____	
ENDORSE EXISTING MARKINGS ☐	
DECLASSIFIED ☒ RELEASABLE ☒	
RELEASE DENIED ☐	
PA or FOI EXEMPTIONS _____	

5-22-70

1. ON MAY 20, I MET SEPARATELY WITH ESSO'S WYNNE AND OCCIDENTAL'S WILLIAMSON TO LEAD THEM TO CONSIDER USEFULNESS OF RECONFIRMING TO POSTED PRICE COMMITTEE THEIR WILLINGNESS TO RESUME NEGOTIATIONS IN CONTEXT OF DEPUTY PRIME MINISTER JALLUUD'S ASSURANCES TO ME ON OIL. I MET WITH ESSO AND OXY ONLY SINCE THEY ALONE HAVE BEEN ACTIVELY NEGOTIATING WITH PRESENT PRICE COMMITTEE.

2. IN THESE MEETINGS I RECAPITULATED MY CONVERSATION WITH JALLUUD FROM WHICH POINTS SUMMARIZED REPTEL ALREADY PASSED TO ESSO AND OXY MAY 9 AND TO REST OF AMERICAN OPERATORS. SUBSEQUENTLY, BOTH MANAGERS SAW OBJECTIVE OF MY REMARKS AND SAID THEY CONCLUDED APPROACH TO COMMITTEE JUSTIFIED BY JALLUUD'S ASSURANCES. LARG WANTED NEGOTIATED SETTLEMENT. SUBSEQUENTLY, BOTH PERCEIVED LESS URGENCY THAT I BELIEVED THEY HAD DECIDED WAS DESIRABLE. WILLIAMSON DECIDED APPROACH COULD WAIT UNTIL HE CONSULTED WITH HIS PARIS HEADQUARTERS LATE NEXT WEEK, AND WYNNE CHOSE TO ARRANGE FOR INFORMAL (AND UNPRODUCTIVE MEETING LATER SAME DAY BETWEEN PRICE COMMITTEE MEMBER MUNTASIR AND ESSO LIBYA GENERAL COUNSEL MEFFERD, IN WHICH NO MENTION OF JALLUUD'S ASSURANCES WAS MADE ACCORDING TO WYNNE.

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3. I MET AGAIN WITH JALLUUD EARLY MAY 21, AT HIS REQUEST, TO DISCUSS OTHER MATTERS REPORTED SEPARATELY. I TOOK THIS OPPORTUNITY TO CONFIRM TO HIM I HAD FOLLOWED HIS SUGGESTION AND CONVEYED TO AMERICAN OIL PRODUCERS HIS ASSURANCES THAT LARG'S POSITION ON POSTED PRICES IS FLEXIBLE, THAT NO NATIONALIZATION IS CONTEMPLATED, AND THAT HE OR ANOTHER RCC REP WOULD ATTEND PRICE NEGOTIATING SESSIONS. I CONTINUED THAT I NOW COULD ASSURE HIM COMPANIES ALSO WERE FLEXIBLE AND DESIRED TO SETTLE ISSUE THROUGH NEGOTIATION. JALLUUD INDICATED HIS SATISFACTION. I WENT ON TO STRESS IMPORTANCE OF COMPANIES HAVING OPPORTUNITY TO PRESENT FACTS ON WHICH THEIR POSITIONS ARE BASED IN PRESENCE OF RCC MEMBER SO THAT RCC WOULD UNDERSTAND REASONS UNDERLYING COMPANIES' POSITIONS. JALLUUD RESPONDED THAT LARG HAD MADE PRICE PROPOSAL AND IF COMPANIES MAKE PROPOSALS THEN THERE WILL BE "SUBSTANCE" FOR NEGOTIATION. I NOTED SOME COMPANIES HAD MADE PRICE PROPOSALS, BUT JALLUUD SHRUGGED THESE OFF AS UNREALISTIC. I REPLIED THAT COMPANIES REGARD PRESENT PRICE COMMITTEE POSITION UNREALISTIC, AND I WAS NOT REPEAT NOT CERTAIN COMPANIES WOULD BE ABLE TO TAKE INITIATIVE IN PRESENTING PROPOSALS OF KIND HE APPARENTLY HOPED TO RECEIVE. HENCE, THEY MAY EXPECT LARG TO MAKE NEXT MOVE. THIS PORTION OF OUR CONVERSATION ENDED BY MY STRESSING HOPE LARG WOULD KEEP IN MIND THERE WAS POINT AT WHICH PRICE INCREASE MADE OIL PRODUCTION UNPROFITABLE AND, WHILE I DID NOT PRESUME TO KNOW WHAT THIS POINT MIGHT BE, I BELIEVED THIS WAS IMPORTANT FACTOR FOR LARG TO CONSIDER.

4. LATER, I AGAIN REPORTED JALLUUD CONVERSATION IN DETAIL SEPARATELY TO WILLIAMSON AND WYNNE. WILLIAMSON, WHO WAS PREOCCUPIED WITH PRODUCTION RESTRICTIONS IMPOSED ON OCCIDENTAL (TRIPOLI 1086 NOTAL), SAID HE WOULD DESCRIBE RELATIONSHIPS BETWEEN COMPANY'S PRODUCTION RATE, ITS ABILITY TO MAKE MEANINGFUL PRICE PROPOSAL AND JALLUUD'S MAY 20 ASSURANCE THAT LARG DESIRED NEGOTIATED PRICE SETTLEMENT DURING HIS MAY 23 MEETING WITH PETROLEUM U/S QIBLAWI. WYNNE OBSERVED HIS IMPRESSION FROM MY REPORT WAS THAT JALLUUD MAY NOT CONSIDER PRICE COMMITTEE'S DEMAND FOR 44 PLUS 35 CENT INCREASE UNREASONABLE. MEFFERD, WHO WAS PRESENT, ARGUED THAT APPROACH TO PRICE COMMITTEE, BASED UPON GENERATING DIRECT INVOLVEMENT OF RCC NOW, WOULD BE PREMATURE, SINCE LIMITED FLEXIBILITY AVAILABLE TO ESSO PROBABLY WOULD APPEAR AS INFLEXIBILITY TO NON-OIL SPECIALIST RCC MEMBER--GIVEN EXORBITANCE OF LIBYAN DEMANDS. WYNNE CLOSED MEETING WITH COMMENT THAT HE WOULD CONSIDER WHAT ESSO'S NEXT MOVE OUGHT TO BE.

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5. IN DISCUSSING POSTED PRICE NEGOTIATIONS BOTH WITH JALLUUD AND WITH COMPANIES, I HAVE EMPHASIZED THAT MY INTEREST IS IN FLEXIBILITY OF BOTH SIDES NECESSARY TO NEGOTIATE SETTLEMENT--NOT REPEAT IN NEGOTIATING TACTICS OR IN PROSPECTIVE TERMS OF SETTLEMENT. MY EFFORTS TO REVIVE NEGOTIATIONS, STALLED SINCE EARLY LAST WEEK, BY SUGGESTING PROTESTATIONS BY BOTH SIDES OF WILLINGNESS TO NEGOTIATE IN GOOD FAITH PROVIDE OPPORTUNITY TO RESUME TALKS, HAVE BORNE LITTLE FRUIT--AT LEAST SO FAR.

6. I AM SERIOUSLY CONCERNED THAT HARD LINE TAKEN BY NEGOTIATING COMMITTEE, COMPLIMENTED BY RELUCTANCE OF COMPANIES TO TALK IN SPECIFIC TERMS WHILE CONFRONTED WITH EXTRAVAGANT DEMANDS, WILL CONTINUE TO INHIBIT REAL NEGOTIATIONS. MEANWHILE, IT IS HIGHLY PROBABLY LARGE WILL EXERT INCREASINGLY SEVERE PRESSURE ON COMPANIES. LARGE PRODUCTION CUTBACK IMPOSED ON OCCIDENTAL IS ONE EXAMPLE. PROHIBITION OF LNG EXPORTS FROM ESSO'S NEW PLANT--WHOSE STORAGE CAPACITY IS RAPIDLY FILLING UP--IS ANOTHER. THESE, AND HOST OF OTHER LARGE ACTIONS, ARE CREATING ISSUES SUBSIDIARY TO PRICE PROBLEM, EACH OF WHICH WILL NEED TO BE RESOLVED.

7. IN MY VIEW, ONLY POTENTIAL BREAKTHROUGH SINCE NEGOTIATIONS WITH NEW PRICE COMMITTEE BEGAN EARLY THIS MONTH, IS OPPORTUNITY TO GET JALLUUD DIRECTLY INVOLVED IN PRICE TALKS. I BELIEVE, AS ESSO AND OXY MANAGERS SAY THEY DO, THAT POSTED PRICE AGREEMENT ULTIMATELY WILL BE CONCLUDED AT RCC LEVEL. HENCE, IT IS DIFFICULT FOR ME TO UNDERSTAND RELUCTANCE OF COMPANIES TO TAKE ADVANTAGE OF PRESENT OPPORTUNITY TO ENGAGE JALLUUD IN NEGOTIATIONS. PERHAPS MY REMARKS YESTERDAY TO JALLUUD WILL CAUSE HIM TO INSTRUCT PRICE COMMITTEE TO SCHEDULE FURTHER MEETINGS WHICH HE WOULD ATTEND. THIS, AT LEAST, WAS MY PURPOSE. IF NEITHER SIDE MOVES NOW, I FEAR HINDSIGHT WILL DEMONSTRATE THAT TWO OPPORTUNITIES TO NEGOTIATE PRICE SETTLEMENT WERE MISSED--ONE IN EARLY APRIL WHEN NEGOTIATIONS WERE STILL IN HANDS OF MINISTER OF PETROLEUM WHO APPEALED TO COMPANIES TO SUBMIT SERIOUS OFFERS (TRIPOLI 618), AND SECOND OPPORTUNITY WHICH SEEMS TO BE PRESENT NOW. GP-3.

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